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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND  
THE COUNCIL**

**Third Annual Report on the Implementation of Part IV of the Agreement establishing  
an Association between the European Union and its Member States, on the one hand,  
and Central America on the other**

# **REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL**

## **Third Annual Report on the Implementation of Part IV of the Agreement establishing an Association between the European Union and its Member States, on the one hand, and Central America on the other**

### **1. Introduction**

2016 was the third year of implementation of the the Trade Pillar (Part IV) of the EU-Central America Association Agreement which establishes an Association between the European Union and its Member States, on the one hand, and Central America on the other (hereinafter, “the Agreement”)<sup>1</sup>. Under Article 13 of Regulation (EU) No 20/2013 of the European Parliament and of the Council of 15 January 2013 implementing the bilateral safeguard clause and the stabilisation mechanism for bananas of the Agreement establishing an Association between the European Union and its Member States, on the one hand, and Central America on the other<sup>2</sup> (hereinafter, “the Regulation”), the Commission is to present an annual report to the European Parliament and the Council. The present report is presented following this requirement.

### **2. OVERALL ASSESSMENT: EVOLUTION OF TRADE**

#### **2.1. Methodology**

In line with the methodology used in previous reports on the implementation of the Agreement<sup>3</sup>, EU imports are calculated on the basis of EUROSTAT data extracted in October 2016 whereas EU exports to Central America are based on Central American statistics. Since Central American statistics are provided in US dollars these have been converted into Euros by applying the annual exchange rate used by EUROSTAT<sup>4</sup>.

Naturally, the causes for the fluctuation of trade flows reflect a multitude of factors and cannot be attributed solely to the existence or degree of advancement in the implementation of the Agreement.

#### **2.2. Evolution of overall trade flows with Central America (goods)**

On the basis of the statistics presented by the Secretariat for Central American Economic Integration (SIECA), from 2014 to 2015 trade flows on the one hand between Central American countries and the rest of the world decreased by 6%. On the other hand, EU trade flows with the rest of the world increased 3.6% during the same period (EUROSTAT). In the context of this broader pattern, bilateral trade between the EU and Central America proved quite resilient: Total trade flow between the two regions decreased only moderately (by 0.7%)

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<sup>1</sup> OJ L 346, 15.12.2012, p. 3.

<sup>2</sup> OJ L 17, 19.1.2013, p. 13.

<sup>3</sup> COM (2016) 73 final.

<sup>4</sup> The EUR/USD average exchange rates were 1.3281 in 2013, 1.3285 in 2014 and 1.1095 in 2015

to €10.5 billion. The EU's trade balance with Central America presented a positive balance of €162 million in 2015 (after showing a deficit of €853 million the previous year).

***Trade flow between EU and Central America and annual growth  
(in million Euros - 2015)***

Country	EU Exports <sup>(*)</sup>		EU Imports <sup>(**)</sup>		Total flow	
Costa Rica	1,312	23.1%	2,250	-40.4%	3562	-35%
Guatemala	1,194	22.3%	865	25%	2059	23.3%
Honduras	592	29.1%	1,015	20.5%	1606	24%
Nicaragua	379	54.2%	326	14.5%	705	32%
Panama	1,278	8.2%	555	26.1%	1833	13%
El Salvador	603	29.8%	195	5.5%	798	23%
<b>TOTAL</b>	<b>5358</b>	<b>22%</b>	<b>5,196</b>	<b>-16.8%</b>	<b>10,526</b>	<b>-0.7%</b>

*\*Export data based on statistics reported by each country in the region*

*\*\* Import data based on EUROSTAT*

*Source: EUROSTAT and SIECA*

2015 saw an overall increase of 22% in EU exports to Central America, according to Regional Central American statistics, whereas EU imports by value from Central America fell by 16.8%. However, overall positive trends should be noted in the trade flows between the EU and each individual Central American country, except Costa Rica, for which trade decreased from €3.77 billion to €2.25 billion, due to the virtual disappearance of office and telecommunication equipment manufactures exports by a large ITC multinational in the country.

For a second year in a row, the relocation to South East Asia of its previously major exporter of IT components has had a significant negative impact on the total value of its exports to the EU. Imports into the EU from Costa Rica of office and telecommunication equipment decreased by almost 94% in 2015. Total exports of IT equipments went down from €2,372 million in 2013 to only €147 million in 2015.

	2013	2014	2015	2013-15 % change
Office and Telecom equipment	2,372	1,925	147	-93.8 %

***Breakdown of EU imports from Central America and their yearly evolution (in m Euros)***

*Source: EUROSTAT and Directorate-General for Trade (DG TRADE)*

On the whole, in this third year of implementation of the Agreement - and discounting the significant decrease in exports of IT components from Costa Rica – EU exports and EU imports to and from each of the six countries in the region have increased by over 20% in 8 of

the 12 export/import combinations possible. This is reflected in total trade flows which have increased by more than 20% for 4 of the 6 countries (and above 10% for the fifth). Costa Rica still being the outlier in 2016 due to specific and endogenous reasons which are unlikely to continue in future years.

The concentration of Central American exports to the EU to a number of key export products continues even though, according to SIECA,<sup>5</sup> the number of products exported to the EU increased in 2015 by 5.3% compared to the previous year. It now covers 1615 products (6 digit tariff lines CA HS).

The following were the main import sectors from Central America (by HS section) for 2015: vegetable products (51%); foodstuffs, beverages and tobacco (11.1%); optical and photographic instruments (8.1%). The EU's main exports sectors to the region were: machinery and appliances (23.8%), products of the chemical or allied industries (22.6%), transportation equipment (14.3%).

The main destinations of **EU exports to Central America** in 2015 were Costa Rica (25%) followed by Panamá and Guatemala (24% and 22% respectively). The most exported products in 2015 were pharmaceuticals (11% of EU exports) followed by motor vehicles (7%), and articles made of steel (5%).

At the same time, significant growth in Central American exports in 2015 was recorded for the following products<sup>6</sup>:

- **Optical and photographic instruments** (HS 90) imports into the EU increased by 46% from € 284.8 million to €417 million.
- **Medical devices**, EU imports rose by 32% (from € 194 million to € 257 million).
- **Coffee** imports rose by 33% (from €702 million to €935 million). The region has been able to overcome the losses caused by the coffee rust epidemic that heavily impacted Central America's coffee production and exports in 2014.

Guatemala increased its exports to the EU from € 691 million in 2014 to € 865 million in 2015. Some of the exported goods that have shown important growth are: edible fruit and nuts (HS08) grew up to €70 million (over 130% growth), mineral ores (HS26) grew up to €69.2 million (168% growth) and edible vegetables (HS07) up to €50.3 million (up 30%).

Nicaragua showed the highest percentage growth in trade flows (32% in 2015). This dynamism is marked by a strong increase of EU exports to the country (up 54%) as well as EU imports which showed a 14.5% increase from €285 million to €326.5 million. Increase of EU exports to Nicaragua were particularly intense in the following headings: 141% in Electrical machinery (HS85) up to €87 million, 202% in Stamps and Printed Books (HS 49) up to €11 million, and 63% in Rubber (HS 40). Similarly, increases of imports from Nicaragua were significant, in particular under the following headings Edible fruits and nuts (HS08) imports grew up to €6.5

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<sup>5</sup> Sistema de Integración Económica de Centroamérica.

<sup>6</sup> Source: Eurostat/ DG-Trade.

million, coffee up to €94 million (up 47%) and oilseeds (HS12) from €25 million to €35 million (up 29%).

Trade flows between Honduras and the EU also showed significant increase. EU exports grew mainly under the following headings: 88% in Electrical Machinery (HS85) up to €132 million, 154% in Pharmaceutical Products (HS30) and 98% in Chemical Products (HS38). Total imports into the EU grew from € 841 million in 2014 to € 1.01 billion the following year. Some of the traditional products that showed the highest growth were: coffee (HS09) from €447.3 million to €607.5 million (up 36%), tobacco (HS24) up 56% and edible vegetables (HS07) which grew from €11.6 million to €19.3 million (up 66%).<sup>7</sup>

EU imports from Panama increased 27% due to the growth in headings such as: tyres (HS4011) up to € 62.4 million (up 72%), Animal Fodder (HS23) up to € 7.6 million (123%) or more important transactions in the shipping industry, Ships and Boats (HS89) more than doubled up to € 201 million. The exports of coffee (HS09) – not a traditional commodity from Panama to the EU - also grew by 66% .

Positive variations were also significant in EU exports to Costa Rica (up 23%) and El Salvador (up 30%). In Costa Rica, the following headings saw particular vigour: 21% in Pharmaceutical Products (HS30), 79% in Vehicles (HS 87) and 38% in Chemical Products (HS38). In El Salvador, the increases of 53% in Mechanical Machinery (HS84), 75% in Electrical Machinery (HS85) and 60% in Medical Devices (HS90) deserve special mention.

### **2.3. Use of tariff preferences under the Agreement**

The use of the tariff preferences granted by the Agreement can be estimated by assessing the fraction of the trade flow which is carried out within the framework of the Agreement. This requires detailed custom clearance data. Central America has informed the EU that the databases managed by their respective Customs authorities are not currently adapted for a regular exchange of detailed statistics to analyse the tariff preference, with the exception of Costa Rica which provided the EU with such data.

For 2015, Costa Rican statistics show that 16.6% of total EU exports to Costa Rica were made under the benefits provided by the Agreement and additionally 13.2% of tariff lines were fully liberalized. In so far as EU imports originating from Central America are concerned, 53% of this flow (in value) was made under the aegis of the Agreement.

### **2.4. Use of tariff rate quotas (TRQs)**

The Agreement provides for tariff rate quotas (TRQs) which grant the other party a preferential tariff treatment up to the quota's quantitative threshold. Above this threshold, imports are subject to the applicable Most-Favoured Nation (MFN) tariff.

The Association Agreement grants **eight TRQs to Central America** on products that did not have any preferential access to the EU market prior to the entry into force of the Agreement. In

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<sup>7</sup> Source: Eurostat

2015, Central America used the available TRQs for products originating in Central America for only two categories (cane sugar and rum).

Origin	Products	Unit	TRQ volume	EU Import	Utilisation rate
Central America	Garlic	ton	550	0	0%
	Rice		22,000	0	0%
	Bovine meat		10,450	0	0%
	Mushroom		275	0	0%
	Manioc starch		5,000	0	0%
	Sweetcorn		1,680	0	0%
Central America except Panama	Sugar	Litre Pure Alcohol	159,000	158,993	100%
	Rum in container > 2 l		7,600	2,187	28.8%

***TRQs granted by the EU to Central America – Utilisation in 2015***

In addition to TRQs, the EU also granted Central America a derogation to the rules of origin under specific quotas for 118 tariff lines. In the second year of application (2015) imports under these quotas remained very low. Some of the goods that benefitted from the preferential treatment were tuna loins (Central American quota) with a 18% utilization rate, briefs and panties from Costa Rica with 27%, brassieres from Costa Rica with a utilization rate of 100% and pantyhoses from El Salvador with 14%.

Central America granted **the EU TRQs on four specific products**. EU exporters made use of the opportunities offered by these TRQs in 2015, although there continues to be a margin of growth given that current utilisation rates remain under 50% in the best of cases:

Products	Quota (tn)	Annual increase	Volume (tn)	Utilisation rate
Cured hams	990	45	260	26%
Powdered milk	1,240	95	148	14% <sup>8</sup>
Cheese	2,345	150	1,155	44% <sup>9</sup>
Prepared swine meat	990	45	51	4.9%

***TRQs granted by Central America to the EU – Utilisation in 2015***

<sup>8</sup> Average percentage based on available data per CA country.

## 2.5. Trade in Services

At the time of writing, data for trade in services for 2015 was not available (the lag behind data for goods is well known), so figures for 2014 will be examined. These amounted to €5.9 billion (a decrease of 3% compared to 2013). In 2014, Panama remained the major trading partner in services (53% of total trade flow in services with the region) followed by Costa Rica (21%) and Guatemala (13%).

Country	2013			2014			%
	Credit	Debit	Total	Credit	Debit	Total	Total
Costa Rica	631,3	499,3	1130,6	678,1	563,2	1241,3	10%
El Salvador	224,8	90,1	314,9	231,7	83,4	315,1	0%
Guatemala	874,9	202,5	1077,4	535,2	225,8	761,0	-29%
Honduras	195,0	187,4	382,4	160,3	89,6	249,9	-35%
Nicaragua	204,7	48,7	253,4	153,7	91,1	244,8	-3%
Panama	1456,4	1580,1	3036,5	1525,4	1644,4	3169,8	4%
Total	3587,1	2608,1	6195,2	3284,4	2697,5	5981,9	-3%

### *Trade in services between Central America and the EU in 2014 (In m Euros)*

*Source: EUROSTAT*

Honduras and Nicaragua – under €300 million each in total flows - saw very significant fluctuations (in percentage terms) of their trade figures from 2013 to 2014 seeing a dramatic fall on the debit side (-52%) in the case of Honduras and an almost doubling of the same (87%) in the case of Nicaragua.

The larger markets of Panama, Costa Rica and Guatemala saw more moderate variations (generally under 10%) as did El Salvador.

## 3. ACTIVITIES OF THE IMPLEMENTATION BODIES

### 3.1. Sub-Committee on Technical Barriers to Trade (TBT)

On 2 June 2016, the sub-committee on TBT reviewed the following topics via videoconference (VCR):

- The EU raised specific trade concerns on onerous registration processes required to put products on the market in Central America, and lack of progress towards internal processes of technical harmonisation.
- The EU presented a specific trade concern on the introduction of technical regulations (ice cream, fruit juices, and alcoholic beverages) by Panama.
- The EU also expressed concern on "certificates of free sale" requested in Guatemala.

Finally, Central America was invited to make further progress on the effective implementation of a series of region-wide technical regulations which are ready to be adopted to ensure follow up to Article 305 of the agreement and to further regional economic integration.

### **3.2. Board on Trade and Sustainable Development**

From 14-16 June 2016, the EU and Central America held the meetings of the institutions in charge of monitoring the implementation of the Trade and Sustainable Development provisions of the Agreement (see part 4 below).

### **3.3. Sub-Committee on Intellectual Property**

On 15 June 2016, the third meeting of the sub-committee on Intellectual Property Rights (IPR) took place to review in particular the following issues:

- The protection and enforcement of IPR in Central America and especially Geographical Indications (GIs), as well as studying ways in which to streamline registration procedures.
- Possible actions to foster an enabling environment for potential (essentially privately owned) technology transfer.

On GIs, the EU expressed concerns on the on-going litigation in Guatemala between "Parmigiano Reggiano" and "Prosciutto di Parma" and the local trademark "Parma", as well as on the publication by Honduras of a list of alleged generic terms, some of which raised concerns with regard to their possible conflict with EU GIs protected via the Agreement.

This meeting also provided the opportunity for an exchange of views on possible working arrangements to facilitate the updating of the list of protected GIs.

### **3.4. Sub-Committee on Sanitary and Phytosanitary Matters (SPS)**

In the third meeting of this sub-committee, held on 14-15 June 2016, the EU highlighted the following:

- The importance for Central America to fulfil procedures established in the Association Agreement to ensure that market access requests are handled in a timely and transparent manner, including the approval of lists of establishment and verifications;
- The importance of complying with standards, guidelines and recommendations of the international standard setting organisations;
- The need to present scientific information to support legislation and import requirements that deviate from international standards.
- The need for Central American countries to continue with the process of implementing the provisions on regional economic integration which will facilitate trade relations.

### **3.5. Sub-Committee on Customs Procedures, Trade Facilitation, and Rules of Origin**

Topics discussed on 13 and 14 June 2016 during this sub-committee included:

- The fulfilment of Central America's regional integration commitments in the area; and



- Drafting two explanatory notes in the area of rules of origin to solve practical problems encountered by Central America.

The Parties worked towards agreement on the common interpretation of certain aspects of Annex II through Explanatory Notes on the filling out of EUR.1 movement certificates and the appropriate treatment of errors or minor mistakes.

Moreover, the Parties agreed to update the classification system by the entry into force of the latest version of the WCO Harmonized System Nomenclature (HS 2012). The final list would be adopted by the Association Council by written procedure.

Finally, Central America requested extending the possibility to cumulate tuna originating from Mexico and Chile. The EU agreed to analyse the issue subject to the necessary cooperation being in place between the countries.

### **3.6. Sub-Committee on Market Access for Goods**

On 13 June 2016, during the meeting of this sub-committee, the Parties reviewed commitments taken during previous meetings and discussed issues of EU interest, notably:

- Costa Rica's commitment to review its excise duty system for beers;
- The commitment taken by Costa Rica to remove tax discrimination for spirits as of 1 October 2017 (as stipulated in the Agreement);
- Nicaragua charging a fee for the scanning of goods at border checkpoints;
- Honduras' import licensing system for the importation of onions.

The EU and Central America agreed that access to reliable, updated and detailed statistics was essential for trade policy and committed to continue exchanging statistics at the regional level.

### **3.7. Ad hoc meeting on Government Procurement**

The Parties agreed to create a temporary technical ad hoc working group on Government Procurement that met for the first time on 16 June 2016. While the Agreement does not establish a sub-committee on this topic, it has become clear that it is suitable to address government procurement under the agreement. Parties exchanged information on legislation in different Central American countries and their conformity with the provisions of the Agreement. The EU stressed in particular practices recently adopted by Panamanian authorities that needed revision in light of the Agreement. As provisions of its law on government procurement were currently under review, the EU urged Panama to introduce the necessary changes to its legislation.

### **3.8. Association Committee**

On 23 June 2016, the Association Committee held its third meeting to review the work carried out by the different subcommittees and to discuss other trade related issues.

The EU explained the importance of full GI protection in Central America and expressed concerns in regard to recent practices in Guatemala and Honduras. Moreover, the EU recalled Central America's commitments to make their best endeavours in the implementation of internationally agreed standards as regards, *inter alia*, financial services, the fight against money laundering, terrorism financing, and tax evasion. The EU presented its initiatives on corporate taxation (PAN-EU list, BEPS) and invited Central America to work jointly on these issues.

The EU also urged Costa Rica to put an end to tax discrimination currently applied to beer and as agreed in their Joint Declaration, as well as Panama to comply with the Agreement's chapter on government procurement.

As regards regional economic integration, Central America explained that the fulfilment of the commitments taken towards the EU was followed very closely by Central American Trade ministers in their meetings as COMIECO in the framework of SIECA. The EU insisted on the importance of implementing certain technical regulations as soon as possible,

As regards amendments to the Agreement resulting from the accession of Croatia to the EU, the Parties recognised that, despite some progress, there was still a gap between the approaches as regards the methodology to assess possible compensation following Croatia's accession. The EU urged Central America to adopt a constructive approach, especially given that the EU had already concluded discussions with all other preferential partners of the EU in Latin America with satisfactory solutions for both parties. It was agreed to continue the dialogue with a view to finding an agreement as soon as possible.

## **4. FULFILMENT OF OBLIGATIONS ON TRADE AND SUSTAINABLE DEVELOPMENT**

### **4.1 Institutional Aspects**

The third meeting of the Board on Trade and Sustainable Development was held in Honduras on 15-16 June 2016.

The Board exchanged information on labour and environmental issues including topics such as social dialogue, non-discrimination, responsible value chains, circular economy, and wildlife trade. The "Trade for All" Communication was highlighted by the EU, with its values agenda being of particular relevance to the TSD Board.

A meeting of the Civil Society Dialogue Forum – comprising representatives of EU and Central American civil society – was held on 17 June 2016. Civil society representatives from all Central American countries except Panama and from the EU were present. A workshop on Trade Schemes and Practices for Sustainable Development and a meeting of advisory group members from both regions were also held. Civil society representatives presented a joint declaration to the Board, to which the Board committed to respond at a later stage. For further information see <http://www.eesc.europa.eu/?i=portal.en.events-and-activities-3rd-eu-central-america>.

## **4.2 Implementation of International Labour Organization (ILO) Conventions**

During the meeting of the Board on Trade and Sustainable Development, the Parties reported on their implementation of ILO conventions, and on recent legislative developments. El Salvador and Guatemala responded to questions raised by the EU regarding ILO Convention on freedom of association, respectively discussed as serious case and extremely serious and urgents case in the International Labour Conference the preceding week.

It was noted that El Salvador and Guatemala were discussed in the ILO Supervisory mechanisms in June 2016 regarding their implementation of Convention 87 on Freedom of Association and the Right to Organise, on cases of violence and murders of workers representatives. The EU will continue monitoring the situation and promote cooperation with the ILO in this regard.

## **4.3. Implementation of multilateral environmental agreements**

During the Board meeting, Parties also exchanged views on environmental issues and i.a. Costa Rica described its strategy of using its ambitious low-carbon targets to drive innovation in productive sectors such as coffee and livestock. The EU flagged developments including the Circular Economy package and Wildlife Trade Action Plan.

Central American parties and the EU noted that they had cooperated on a number of issues in the CITES Conference of the Parties held in September 2016, including through EU support to a proposal from Guatemala and three other CITES members to regulate trade in all *Dalbergia* (rosewood) species.

## **4.4. Development of a positive agenda for trade and sustainable development**

Discussions continued on the development of a positive agenda, with some divergent views on the main focus of such activities. A proposal to organise an event on responsible global value chains in early 2017 received general support.

## **5. IMPLEMENTATION OF REGULATION (STABILIZATION MECHANISM FOR BANANAS)**

The Agreement provides a preferential customs duty on bananas for each Central American country under heading 0803.00.19 (fresh bananas) since the date of entry of the Agreement until the year 2020 (indicated in a tariff reduction table by year and country). This special treatment is based on a stabilisation clause that sets out an annual trigger volume for imports from the countries of Central America during the transition period.

If as a result of the reduction of customs duties the level of imports of bananas be such as to cause or threaten to cause serious injury to the EU banana sector, the Regulation establishes the appropriate procedures to be adopted to avoid serious harm to this sector. The Commission has been monitoring the evolution of imports of bananas from Central American countries (as per Articles 3 and 13 of the Regulation) to assess whether the conditions set out in the Regulation are met so as to initiate a safeguard investigation or introduce prior surveillance measures.

Whilst banana imports from Guatemala did exceed their trigger level by 27% in 2015, the Commission did not initiate, nor received requests to initiate, any safeguard investigation or introduction of prior surveillance measures. These imports were not considered to threaten the EU banana sector. At the same time, the other Central American countries did not come near to reaching their trigger levels under the stabilisation mechanism. In fact, at the end of 2015 the overall total volume that had benefitted from preferential treatment in Central America was only 65% of the established threshold.

Country	Used Volume	Trigger Level	%
GUATEMALA	79 068 834	62 500 000	127
HONDURAS	4 440 601	62 500 000	7
NICARAGUA	8 389 294	12 500 000	67
PANAMA	207 829 771	468 750 000	44
COSTA RICA	927 260 997	1 281 250 000	72
EL SALVADOR	0	2 500 000	0
<b>TOTAL</b>	<b>1 226 989 497</b>	<b>1 890 000 000</b>	<b>65</b>

#### **2015 import of bananas under the stabilisation mechanism (in kg)**

## **6. CONCLUSION**

After three years since it came into force, the implementation process is advancing steadily and the institutional framework under the Agreement is working well.

Despite negative global trends in the Central American trade environment, EU trade flows with Central America proved to be fairly dynamic. The relocation of a major regional exporter (IT components) in Central America has continued to have a strong negative impact – as it did in 2014 – although the remaining exports from Central America to the EU grew on average by 13.8% in 2015, with the notable contribution of the recovery in exports by the coffee industry, which grew 34% compared to the previous year. EU exports to Central America have kept pace with this level of growth, increasing by a robust 22% over 2015.

Despite this solid growth, the usage of existing preferences remains rather low for EU exports to Central America, but is noticeably better for EU imports from Central America. It is possible that further communication efforts in the EU are necessary to increase the knowledge of the benefits that the Agreement provides to EU exporters. The Commission continues to be engaged in actions aimed at increasing the awareness of economic operators as regards the opportunities presented by the Agreement. Member States action would also be relevant.

Given that the tariff rate quotas remain largely under-utilised there remains evident opportunities for economic operators to develop trade relations further.

As regards the bananas stabilization mechanism, total imports from Central America remained stable overall and well below the cumulated trigger levels. Although banana imports from Guatemala exceeded the trigger level, it was deemed unnecessary to consider initiating any suspension of preferential customs duties, as it was not considered to destabilise the EU market.

In terms of trade in services, for 2014, flows between the two regions decreased marginally to € 5.9 billion. Panama, Costa Rica and Guatemala continue to be the most important trading partners in this economic area. However, the trade series is still too limited to be able to assess the impact of the Agreement on the trade flow in services.

A priority for the EU will be to continue maintaining and enhancing the positive cooperation established with Central America with the common aim of achieving the correct implementation of the Agreement by all relevant actors. Economic operators, consumers and civil society from both regions will thereby be able to take full advantage of the opportunities provided by the Agreement and build upon these further consolidating a mutually advantageous relationship.

The correct functioning of the institutions under the Agreement is crucial to its proper implementation. They provide the forum in which to engage in discussion and seek acceptable solutions for all Parties on issues ranging from compliance with commitments made under the different Titles of the Agreement (such as Trade and Sustainable Development, Public Procurement and others) to market access issues and generally help to tackle implementation challenges in a structured and mutually agreed manner.

In this regard, more recent efforts have focused on cooperation on labour issues and environment standards, with a broader view in terms of civil society participation, social dialogue, circular economy and value chains - all of these in line with the EU's current trade policy.<sup>10</sup>

The Commission will continue to engage in the process of implementation with Central America and to address any concerns related to the implementation of the Agreement as raised by firms, citizens or other stakeholders. The Commission equally calls upon the EU Member States and the European Parliament to continue to actively contribute in this process.

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<sup>10</sup> See "Trade for All" policy document ([http://trade.ec.europa.eu/doclib/docs/2015/october/tradoc\\_153846.pdf](http://trade.ec.europa.eu/doclib/docs/2015/october/tradoc_153846.pdf))